

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: MS. DIANNA GRAHAM

VIRGINIA GAS
AND OIL BOARD

RELIEF SOUGHT:

MODIFICATION OF ORDER POOLING
INTERESTS IN DRILLING UNIT
NO. U-19/B LOCATED IN THE
OAKWOOD COALBED GAS FIELD
II PURSUANT TO SECTION
45.1-361.22, CODE OF
VIRGINIA, 1950 AS AMENDED
FOR THE PRODUCTION OF
OCCLUDED NATURAL GAS
PRODUCED FROM COALBEDS AND
ROCK STRATA ASSOCIATED
THEREWITH (herein
collectively referred to
as "Coalbed Methane Gas"
or "Gas")

DOCKET NO.
96-0416-0542
(Modification of Pooling
Order in VGOB Docket No.
94-1024-0475 Entered
February 13, 1995,
and Filed in the
Clerk of the Circuit
Court of Buchanan
County, Virginia in
Deed Book 432, Page
633 on February 21,
1995 (herein "Original
Pooling Order")

LEGAL DESCRIPTION:

DRILLING UNIT NUMBER U-19/B SERVED
BY RATLIFF WELL #1 (Hereafter "Subject
Drilling Unit") IN THE OAKWOOD COALBED
GAS FIELD II,
HURRICANE MAGISTERIAL DISTRICT,
VANSANT QUADRANGLE,
BUCHANAN COUNTY, VIRGINIA
(the "Subject Lands" are more
particularly described on Exhibit
"A", attached hereto and made a
part hereof)

REPORT OF THE BOARDFINDINGS AND ORDER

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on April 16, 1996, Ratliff Hall, Southwest Virginia Education 4-H Center, Abingdon, Virginia.

2. Appearances: Wyatt Ratliff appeared for the Operator; William Rogers McCall, Esquire, appeared for the Applicant; and Sandra B. Riggs, Assistant Attorney General was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 et seq., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has given notice to all gas and oil owners, coal owners, mineral owners, and potential owners of Coalbed Methane Gas in Subject Drilling Unit as identified by the Operator in its Application for the Original Pooling Order and named in the Original Pooling Order, such parties (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) being those identified by the Operator as being entitled by §§ 45.1-361.19 and 45.1-361.22, to notice of this Application. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.1-361.19B hereupon, the Board hereby finds that the notices given herein satisfy all statutory

requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant requests (1) that pursuant to Va. Code §§ 45.1-361.22, including the applicable portions of § 45.1-361.21, the Board modify the Original Pooling Order to pool all the rights, interests and estates in and to the Gas in Subject Drilling Unit, including the pooling of the interests of the Applicant with the Gas interests of all those persons heretofore named in and pooled by the Original Pooling Order, and the pooling of their respective known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas, produced from the Subject Drilling Unit established for the Subject Formation underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"), and (2) that the Board redesignate Ratliff Gas Company, Inc. as Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted: (1) Pursuant to Va. Code § 45.1-361.21.C.3, Ratliff Gas Company, Inc. (hereafter "Unit Operator") is redesignated as the Unit Operator authorized to drill and operate one (1) well in the Subject Drilling Unit, subject to: the permit provisions contained in Va. Code §§ 45.1-361.27 et seq., to the Oakwood Coalbed Gas Field II Board's Order 91-1119-0162 effective as of December 17, 1992, as amended by Board's Order in Docket Nos. 93-0216-0336 and 93-0316-0349, to § 480-05-22.1 et seq., Gas and Oil Regulations; and to § 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time; (2) all the interests and estates in and to the Gas in Subject Drilling Unit which may be held by the Applicant, Dianna Graham, which may be held by the Unit Operator, and which may be held by the Respondents named in the Original Pooling Order, as well as that of their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, be and hereby are pooled in the Subject Formation in the Subject Drilling Unit underlying and comprised of the Subject Lands; and (3) the Original Pooling Order is modified to the extent herein set forth to include the Applicant as a claimant to the Gas in Subject Drilling Unit and to afford Applicant the election options set forth in Paragraph 9 hereof. The Original Pooling Order remains in full force and effect with respect to the respondents named therein and whose Gas interests were heretofore pooled thereby.

<u>Subject Formation</u>	<u>Unit Size</u>	<u>Permitted Well Location</u>	<u>Field and Well Classification</u>	<u>Order Number</u>
All coalbeds and coal seams below the Tiller seam and rock strata associated therewith	Approximately 80-acre square drilling unit	One well bore to be located in Unit U-19/B as contemplated by the Application filed for the Original Pooling Order	Oakwood Coalbed Methane Gas Field II for unsealed gob gas	VGOB Nos. 91-1119-0162 93-0216-0336 and 93-0316-0349; VGOB 94-1024-0475

For the Subject Drilling Unit
underlying and comprised of the Subject
Land referred to as:

Unit Number U-19/B
Buchanan County, Virginia

Pursuant to the Board's Order No. VGOB 91-1119-162, as amended, the Board has adopted the following method for the calculation of production and revenue and allocation of allowable costs for unsealed gob production of Coalbed Methane Gas dependent upon the particular long wall mining plan applicable to each 80-acre drilling unit.

The designated operator of any 80-acre drilling unit or units within the boundaries of which any long wall panel which has been isolated by the driving of entries is located and from which Unsealed Gob Gas, Short Hole Gas or Gas from any additional Well authorized by the Code of Virginia is produced, shall calculate production and revenue based upon the mine plan as implemented within each affected 80-acre drilling unit and in particular, based upon the mineral acreage, as platted upon the surface, in each 80-acre drilling unit actually contained within a long wall panel as depicted by said mine plan. Except as otherwise provided herein, a copy of the pertinent portion of the mine plan being utilized to calculate production, revenue and costs from any affected 80-acre drilling unit shall be filed of record with the Board prior to the payment of any revenue based upon such calculations. The formula or division of interest for production from any 80-acre drilling unit affected by a long wall panel and from any separately owned tract in any such 80-acre unit shall be calculated as follows:

- 7.1. For Unsealed Gob Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
- 7.2. I. For Gas from Any Well Located in a Long Wall Panel. After actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel, the amount of Gas produced from such a well and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
 - ii. Prior to the actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel, gas from any well located in a proposed long wall panel shall be produced from and allocated to only the 80-acre drilling unit in which the well is located.

8. Election and Election Period: In the event, Applicant, Dianna Graham, does not reach a voluntary agreement to share in the operation of the well located in the Subject Drilling Unit at a rate of payment mutually agreed to by her and the Operator, then subject to a final legal determination of ownership, Applicant may elect one of the options set forth in Paragraph 9 below and must give written notice of her election of the option selected under Paragraph 9 to the Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, Applicant has delivered her written election to the Unit Operator at the address shown below or has duly postmarked and placed her written election

in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

- 9.1 Option 1 - To Participate In The Development and Operation of the Drilling Unit: If Applicant is unable to reach a voluntary agreement with the Unit Operator, she may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of her proportionate part of the actual and reasonable costs, including a reasonable supervision fee, of the well development and operation in the Subject Drilling Unit, as more particularly set forth in Virginia Gas and Oil Board Regulation VR 480-05-22.2, Section 10 (herein "Allocable, Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Allocable, Completed-for-Production Costs as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The estimated Allocable, Completed-for-Production Panel Costs for the Subject Drilling Unit are as follows:

Estimated, Completed-for-Production Costs: \$148,487.00

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operators' "Undivided Net Interest times the Estimated Completed-for-Production Panel Cost set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Allocable, Completed-for Production Panel Cost as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above, if Applicant does not reach a voluntary agreement with the Operator, she may elect to accept a cash bonus consideration of \$1.00 per net mineral acre owned by her within Subject Drilling Unit and a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Coalbed Methane Gas produced from any well development covered by this Order multiplied by her proportional share of said production [for purposes of this Order, net proceeds shall be actual proceeds received less all post-production costs incurred downstream of the wellhead, including, but not limited to, all gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person) as fair, reasonable and equitable compensation to be paid to said electing person. The cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within sixty (60) days of recording of this Order. Once the cash bonus is so paid or escrowed, subject to a final legal determination of ownership, said payment(s) shall be satisfaction in full for the right, interests, and claims of such electing person in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.2, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to and hereby does lease and assign, its right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator.

- 9.3. Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, if Applicant does not reach a voluntary agreement with the Unit Operator, she may elect to share in the development and operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part of the Completed-for-Production Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. Such Carried Well Operator's rights, interests, and claims in and to the Gas in Subject Drilling Unit shall be deemed and hereby are assigned to the Unit Operator until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or overriding royalty, or other non-operating or non cost-bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Costs allocable to the interest of such Carried Well Operator. When the Unit Operator recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay her proportionate part of all further costs of such well development.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the rights, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does assign its rights, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator for the period of time during which its interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event Applicant does not reach a voluntary agreement with the Unit Operator and fails to elect within the time, in the manner and in accordance with the terms of this Order, one of the alternatives set forth in Paragraph 9 above for which her interest qualifies, then Applicant shall be deemed to have elected not to participate in the proposed development and operation of Subject Drilling Unit and shall be deemed, subject to a final legal determination or ownership, to have elected to accept as satisfaction in full for her right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which her interest qualifies and shall be deemed to have leased and/or assigned her right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator. If Applicant fails to properly elect, she shall be

deemed, subject to a final legal determination of ownership, to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for her right, interests, and claims in and to the Gas produced from the Subject Formation underlying Subject Lands.

11. Default By Participating Person: In the event Applicant elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of her proportionate part of the Allocable, Completed-for-Production Cost as set forth herein, all within the time and in the manner as prescribed in this Order, then she shall be deemed to have withdrawn her election to participate and shall be deemed to have elected to accept as satisfaction in full for her right, interest, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which her interest qualifies depending on the excess burdens attached to such interest. Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within sixty (60) days after the last day on which Applicant should have paid her proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for the right, interests, and claims of such person in and to the Gas underlying Subject Drilling Unit in the Subject Lands covered hereby, except, however, for any royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event Applicant is unable to reach a voluntary agreement to share in the operation of the well contemplated by this Order at a rate of payment agreed to mutually by Applicant and the Unit Operator, and Applicant elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of the wells in Subject Formations in Subject Drilling Unit, then subject to a final legal determination of ownership, Applicant shall be deemed to have and shall have assigned unto Unit Operator her right, interests, and claims in and to said well, in Subject Formation in Subject Drilling Unit, and other share in production to which she may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said election.

13. Unit Operator (or Operator): Ratliff Gas Company, Inc., be and hereby is redesignated as Unit Operator authorized to operate the well in Subject Formation in Subject Drilling Unit, all subject to the permit provisions contained in Va. Code §§ 45.1-361.27 et seq.; §§ 480-05-22.1 et seq., Gas and Oil Regulations; §§ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations; and the Oakwood Coalbed Gas Field II Order VGOB 91-1119-0162, all as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

Ratliff Gas Company, Inc.
Route 2, Box 49
Oakwood, VA 24631
Phone: (540) 498-3366

14. Commencement of Operations: On or about December 7, 1995, Unit Operator commenced operations for the marketing of the Gas within the Subject Drilling Unit, and the Unit Operator is required to continue to exercise due diligence in the production and marketing of said Gas. If the Unit Operator does not exercise such due diligence, then this Order shall terminate, except for any cash sums then payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which the well covered by this Order is permanently abandoned and plugged.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the Gas estates, rights, and interests owned by the Applicant should Applicant elect to

participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are chargeable against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

By this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account, (herein "the Escrow Account") to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

Tazewell National Bank
Trust Department
c/o Premier Bankshares Corporation
29 College Drive, P. O. Box 1199
Bluefield, VA 24605-1199
Telephone: (540) 322-2242
Fax: (540) 322-2766

- 16.1. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and shall, pursuant to Section 45.1-361.21.D, Code of Virginia, 1950 as amended, and said sums shall be deposited by the Operator into the Escrow Account, commencing within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are being deposited. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with § 45.1-361.21.D., Code of Virginia, 1950 as amended.
- 16.2 Escrow Provisions For Conflicting Claimants: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment or other payment, together with Participating Operator's Proportionate Costs paid to Operator pursuant to Paragraph 9.1 hereof, if any, (1) shall not be commingled with any funds of the Unit Operator; and (2) shall, pursuant to Virginia Code Sections 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.

17. Special Findings: The Board specifically and specially finds:
- 17.1. Unit Operator is a Virginia corporation, and is duly authorized and qualified to transact business in the Commonwealth of Virginia, and has satisfied the Board's requirements for operations in Virginia;
- 17.2 There are two or more separately owned tracts embraced within Subject Drilling;
- 17.3 In the Unit Operator's Application to the Board for the Original Pooling Order, Operator represented to the Board that it owned 9.75243 percent of the land, 100 percent of the oil and gas interest, 100 percent of the coalbed methane gas interest, and 0 percent of the coal interest in Subject Drilling Unit, and Operator claimed the right to explore for, develop and produce Coalbed Methane Gas from coal seams below the Tiller seam in Unit Number U-19/B in Buchanan County, Virginia, which Subject Lands are more particularly described in Exhibit "A". By the application filed herein, Applicant claims to be an owner of Gas interests within Subject Drilling Unit, and at the hearing of this matter, Unit Operator admitted that there was an error in the plat and/or the schedule of claimants' interests in Subject Drilling Unit submitted and made a part of the Original Pooling Order in that said Plat and/or schedules erroneously failed to reflect Applicant's interests in Subject Drilling Unit. The Board ordered the Unit Operator to file with the Virginia Gas and Oil Inspector within thirty (30) days of the hearing of this matter (1) an amended Plat which meets the requirements of §§ 1.09 and 3.05, of VR 480-05-22.1, Gas and Oil Regulations; and (2) a Supplemental Order with Affidavit of Elections in compliance with § 7.C. of the Virginia Gas and Oil Board Regulations, VR 480-05-22.2, to complete the record regarding elections. On May 20, 1996, the Unit Operator filed its Amended Plat, a copy of which is attached hereto as Exhibit B; and its Affidavit Regarding Election, Escrow and Supplemental Order, a copy of which is attached hereto as Exhibit C. Unit Operator is to amend its said Affidavit to reflect the election made by Applicant, once made, in accordance with the requirements of this Order.
- 17.4 Applicant converted one (1) VVH which served Island Creek Coal Company's Beatrice Mine to a CBM well known as Ratliff No. 1 on the Subject Drilling Unit and commenced commercial production of sealed gob gas from said mine on or about December 7, 1995. Island Creek Coal Company's Exhibit No. 1, (marked Col Ex. 1), a copy of which was attached to the Original Pooling Order, depicts the Beatrice Mine works underlying Subject Drilling Unit which is part of an area of said mine which was sealed by Island Creek Coal Company as of January 26, 1995. The Board has heretofore created Field Rules pursuant to Va. Code § 45.1-361.20 for the production of unsealed gob Gas, and the Board has heretofore pooled the interests in Subject Drilling Unit for the production of unsealed gob Gas (See Paragraphs 7 of the Original Pooling Order and this Order). However, the Board has not, upon application or by its own motion, created Field Rules pursuant to Va. Code § 45.1-361.20 for the production of sealed gob Gas from any area which would include Subject Drilling Unit, and the Board has not, upon application, nor does it by this Order, pool the Gas interests in Subject Drilling Unit for the production of sealed gob Gas. Therefore, the Board, on its own motion, at its next hearing, will commence proceedings to establish field rules for the production of gob Gas from the sealed area of the Beatrice Mine, including the production of sealed gob Gas being produced from Subject Drilling Unit since December 7, 1995.

17.5 The estimated total production from Subject Drilling Unit was estimated by Operator in its application for the Original Pooling Order to be from 125 to 500 mmcf. The estimated amount of reserves from the Subject Drilling Unit was estimated by Operator to be 550 MMCF.

17.6 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford Applicant the opportunity to recover or receive, without unnecessary expense, her just and fair share of the production from Subject Drilling Unit. The Original Pooling Order and the granting of this Modification of same pursuant to the application herein will ensure to the extent possible the greatest ultimate recovery of coalbed methane gas, prevent or assist in preventing the various types of waste prohibited by statute and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.

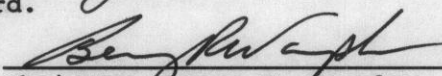
18. Mailing Of Order And Filing Of Affidavit: Operator or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of recording of this Modification Order stating that a true and correct copy of this Order was mailed within seven (7) days from the date of its receipt to Applicant and to each Respondent named in the Original Pooling Order whose address is known. Additionally, Unit Operator is to amend its Affidavit Regarding Elections, Escrow and Supplemental Order filed with the Board on May 20, 1996, a copy of which is attached hereto as Exhibit C, to reflect the election made by Applicant in accordance with the requirements of this Order.

19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

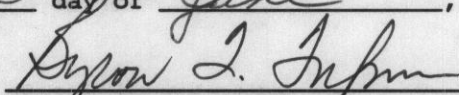
20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted the Original Pooling Order is modified as hereinabove set forth, and IT IS SO ORDERED.

21. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 12th day of June, 1996, by a majority of the Virginia Gas and Oil Board.


Chairman, Benny R. Wampler

DONE AND PERFORMED this 12th day of June, 1996, by Order of this Board.


Byron Thomas Fulmer
Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 12th day of June, 1996, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Susan G. Garrett
Susan G. Garrett
Notary Public

My commission expires 7/31/98

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 12th day of June, 1996, personally before me a notary public in and for the Commonwealth of Virginia, appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

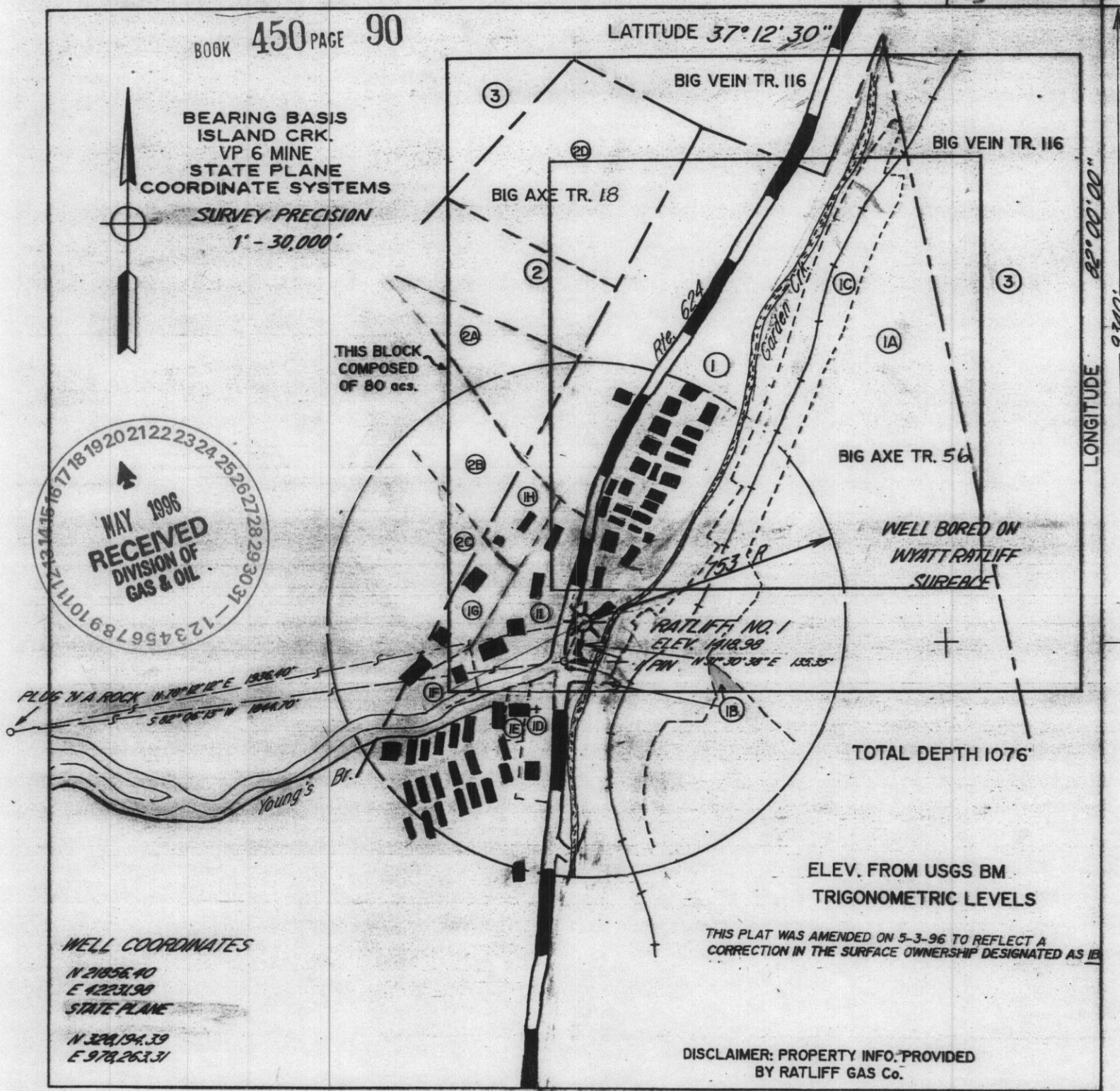
Diane J. Davis
Diane J. Davis
Notary Public

My commission expires 7/31/97

EXHIBIT A"SUBJECT LANDS"

Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 328,089.26, E 980,027.84, thence N 01°45'08" E 1866.54 feet to a point (N 329,954.93, E 980,084.91), thence N 88°14'52" W 1866.54 feet to a point (N 330,012.00, E 978,219.24); thence S 01°45'08" W 1866.54 feet to a point (N 328,146.33 E 978,162.17); thence S 88°14'52" E 1866.54 feet to the point of Beginning, containing 79.98 acres.

BEARING BASIS
ISLAND CRK.
VP 6 MINE
STATE PLANE
COORDINATE SYSTEMS
SURVEY PRECISION
1" = 30,000'



WELL LOCATION PLAT

UNIT U-19

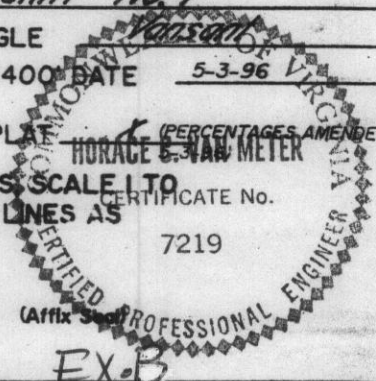
COMPANY RATLIFF GAS Co. WELL NAME and No. Ratliff No. 1
TRACT No. Wyatt Ratliff Property ELEVATION 1418.98 QUADRANGLE Vansant
COUNTY Buchanan DISTRICT Hurricane SCALE: 1"=400' DATE 5-3-96

THIS PLAT IS A NEW PLAT ☐ ; AN UPDATED PLAT ☐ ; OR A FINAL LOCATION PLAT ☒

+ DENOTES THE LOCATION OF A WELL ON UNITED STATES TOPOGRAPHIC MAPS, SCALE 1 TO 24,000, LATITUDE AND LONGITUDE LINES BEING REPRESENTED BY BORDER LINES AS SHOWN.

HC Van Meter

LICENSED PROFESSIONAL ENGINEER OR LICENSED LAND SURVEYOR





VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

SUPPLEMENTAL ORDER REGARDING

ELECTIONS, UNIT: U-19

(herein "Subject Drilling Unit")

Docket Number. VGOB-94-1024-0475

REPORT OF BOARD

FINDINGS AND ORDER

1. This Supplemental Order is entered by the Board sua sponte in the form authorized by the Board at its hearing held at 9:00 a.m. on October 20, 1992, Board of Supervisors Room, Courthouse, Grundy, Virginia, and pursuant to authority granted to the Board's Chairman at the hearing of the Virginia Gas and Oil Board on June 16, 1992 at 9:00 a.m. at the Rhododendron Restaurant at the Break Interstate Park, Breaks, Virginia; and this Supplemental Order is being recorded for the purpose of (1) complying with the requirements of the S 7.c of the Virginia Gas and Oil Board Regulations, VR 480-05-22.2 by supplementing the Order previously issued by the Board for the subject Docket on January 17, 1995 and recorded at Deed Book 432, Page 633 in the Office of the Clerk of the Circuit Court, Buchanan County, Virginia on February 21, 1995, (herein "Board Order") to complete the record regarding elections. The Board Order pooled all interests in Subject Drilling Unit including those of the Respondents more particularly set forth and identified by the Designated Operator in the affidavits attached hereto and made a part hereof. The Board finds it has jurisdiction over the subject matter pursuant to the provisions of the Virginia Gas and Oil Act, S 45.1-361.1 et seq., Virginia Code, 1950 as amended.

2. Findings: The Board finds that:

(a) The Board Order directed Ratliff Gas Company, Inc. (herein the "Designated Operator"), to mail copies of the Board Order to all Respondents whose interests, if any, were pooled by said Board Order;

(b) The Designated Operator filed its affidavit of mailing dated April 10, 1995 disclosing that it had mailed a true and correct copy of the Board's Order to all Respondents whose interests, if any, were pooled by said Board Order;

(c) The Board Order required each Respondent whose interests, if any, were pooled by the terms of said Board Order to make his or her election within thirty (30) days after the date of mailing or recording, as applicable, of said Order; the Designated Operator has filed its affidavit dated May 17, 1996 in accordance with 7.c of the Virginia Gas and Oil Board Regulations and VR 480-05-22.2 (herein "Affidavit of Election"), wherein it has, for each Respondent whose interests, if any, were pooled by said Board Order, stated; (i) whether each Respondent has made or failed to make a timely election; (ii) the nature of the election made, if any; (iii) whether, by reason of a failure to elect or to timely elect one or more Respondents are deemed, under the terms of the Board's Order, to have leased all their rights, title, interests, estates and claims in Subject Drilling Unit to the Designated Operator.

(d) The Board Order further required the Designated Operator, after expiration of the election period, to file with the Board a statement of the interests subject to

Ex. C

escrow under the terms and provisions of the Board Order, in light of the elections made or deemed to have been made (herein "Statement of Interests"); that the Designated Operator furnished said Statement of Interest as part of its Affidavit of Election. A copy of which is attached hereto.

(e) Current Board standards requiring the escrow of funds and the Board's agreement with its Escrow Agent, Premier Bank and Trust Co., P.O. Box 1199, Bluefield, Va. 24605, or any successor named by the Board, require the entry of a supplemental Order establishing of record the elections made or deemed to have been made and specifying the sums or percentage thereof subject to escrow.

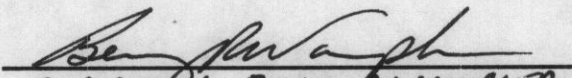
3. Order: By this Order, the Board orders the Designated Operator to tender, consistent with and in accordance with the findings set forth in the above paragraph 2, and the annexed Affidavit, any funds subject to escrow and instructs the Escrow Agent, Premier Bank and Trust Co., P.O. Box 1199, Bluefield, Va. 24605, or any successor named by the Board to establish interest-bearing escrow account (s), IRS Tax Identification Number 54-1629506, in accordance with the information set forth in said Affidavits to receive such funds and account to the Board therefore.

4. Mailing of Order and Filing of Affidavit: The Designated Operator under the captioned order or its Attorney shall file an affidavit with the Secretary of the Board within ten (10) days after the date of receipt of this Order stating that a true and correct copy of this Order was mailed within seven (7) days from the date of receipt of this Order to each person whose interest or claim is subject to escrow and whose address is known.

5. Conclusion: Therefore, the findings and all terms and provisions set forth above be and hereby are granted IT IS SO ORDERED.

6. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 12th day of Jan
1996, by a majority of the Virginia Gas and Oil Board.


CHAIRMAN BENNY R. WAMPLER

STATE OF VIRGINIA
County of

Acknowledged on this 12th day of June, 1996, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis
Notary Public

My commission expires: 9/30/97

DONE AND PERFORMED this 12th day of June, 1996 by
Order of this Board.

Byron Thomas Fulmer
Byron Thomas Fulmer
Principal Executive to the Staff
Virginia Gas and Oil Board

State of Virginia
County of Washington

Acknowledged on this 12th day of June, 1996, personally before me a notary public in and for the Commonwealth of Virginia, appeared Bryon Thomas Fulmer, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis
Notary Public

My commission expires: 9/30/97

VIRGINIA

Exhibit A

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

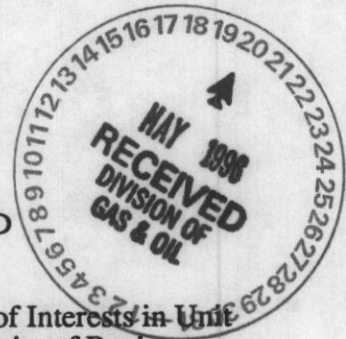
Application of Ratliff Gas Company, Inc., for Forced Pooling of Interests in Unit
Number U-19, VGOB Docket No. 94-1024-0475 in the Hurricane District of Buchanan
County, Virginia

AFFIDAVIT OF Ratliff Gas Company, Inc. (herein "Designated Operator")
REGARDING ELECTIONS, ESCROW AND SUPPLEMENTAL ORDER

Wyatt Ratliff (herein Affiant), being first duly sworn on oath, deposes and says:

1. That your Affiant is the owner of Ratliff Gas Company, Inc., located at Rt. 2 Box 49, Oakwood, Va. 24631, that your Affiant is the "Designated Operator's" President, and is authorized for give this Affidavit in its behalf;
2. That the Order entered on February 13, 1995, by the Virginia Gas and Oil Board regarding the captioned CBM Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed copy of the Order referred to at Paragraph 2, above. The Affiant caused a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who were added as Respondents at the hearing held in the captioned matter; that annexed hereto and incorporated herein are copies of the letters of transmittal, receipts for certified mail, and return receipts pertaining to said mailing;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender their written elections to the Unit Operators within thirty (30) days of the date said Order was recorded in the county above named; that said Order was recorded on February 21, 1995;
5. That the Designated Operator, Ratliff Gas Company, Inc., has established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interests have been pooled have made a written election, in a timely fashion, as required by the captioned Order; that said procedures were followed to identify the elections, if any, made with regard to Subject Unit; that the following persons delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day election period;
None.
6. That the interests and/or claims of the following persons (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under the Board's Order pooling the captioned Unit, Board Regulations and the Code of Virginia;

See Attachment.



7. That after the pooling hearing held in the captioned matter, the following persons have leased or entered into a voluntary agreement with the Designed Operator with regard to their interests and/or claims which are not subject to escrow and should, therefore, be dismissed as Respondents;

None.

8. That pursuant to the provisions of VR 480-05-22.27.C and VR 480-05-22.2.8, annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth and identifies the conflicting claims and/or interests which require escrow of funds pursuant to the terms of 45.1-361.21.D, 45.1-361.22.A.3 and 4.;

Dated at Oakwood, Virginia, this 16 day of May, 1996.

Wyatt Ratliff
Affiant

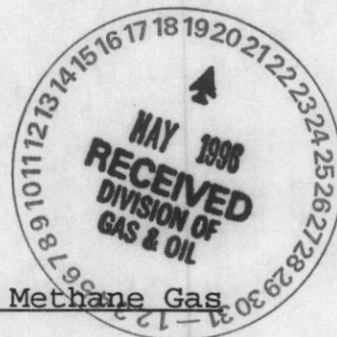
Taken, subscribed and sworn to before me by Wyatt Ratliff, the President, of Ratliff Gas Company, Inc. on behalf of the Corporation, this 16 day of May, 1996.

James D. Rasnake
Notary Public

My commission expires: 9/30/98

EXHIBIT D

VGOB-94/10/24-0475

Unleased Owners and Potential Owners of Methane GasUnit U-19I. Coal Ownership1. Claimants:

- a. Yukon Pocahontas Coal Co. et al 21.42 acres-26.78%
133 Peachtree St. NE
P. O. Box 105605
Atlanta, GA 30348
- b. Claimant: 58.56 acres-73.22%
Landon R. Wyatt, Jr.
Trustee Big Axe Coal Co.
Wayles R. Harrison, Jr. Treas.
2521 Riverside Drive
Danville, VA 24540

II. Coal Leasehold Ownership

- a. Island Creek Coal Company 79.98 acres-100%
Drawer L
Oakwood, VA 24631
- b. Permac Inc.
P. O. Box 1349
Bluefield, VA 24605-4309.

III. Alleged Oil and Gas Ownership1. Claimants:

- a. Yukon Pocahontas Coal Co. et al 21.42 acres-26.78%
133 Peachtree St. NE
P. O. Box 105605
Atlanta, GA 30348
- b. Claimant: 58.56 acres-73.22%
Landon R. Wyatt, Jr.
Trustee Big Axe Coal Co.
Wayles R. Harrison, Jr. Treas.
2521 Riverside Drive
Danville, VA 24540
- c. Wyatt and Grace Ratliff 79.98 acres-100%
Route 2, Box 49
Oakwood, VA 24631

IV. Oil and Gas Leasehold Ownership

Exhibit D

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Page 2

b.	Wyatt and Grace Ratliff (Leased to Ratliff Gas Co.)	7.80 acres	9.75243% of land in Unit U-19
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	<u>Other Claimants:</u>	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
c.	Ruby Ratliff Hale Box 125 Oakwood, VA 24631	4.34	5.42635%
d.	Earl and Dorothy Ratliff Rt. 2 Box 44 Oakwood, VA 24631	5.0	6.25156%
e.	Pauline Childress Box 84 Oakwood, VA 24631	0.23	0.28757%
f.	Alonzo and Alma Mullins Box 1176 Honaker, VA 24260	7.10	8.87730%
g.	Guy Shortridge 76 Shannon Heights Richlands, Va 24641	1.13	1.41285%
h.	Neal and Gay Blankenship Box 475 Oakwood, VA 24631	0.0	0.0%
i.	Ira E. and Rose M. Stiltner Rt. 2 Box 49-A Oakwood, VA 24631	0.40	0.50013%
j.	Carlus and Elizabeth Ratliff Rt. 2 Box 59 Oakwood, VA 24631	0.47	0.58765%
k.	Eugene Altizer Rt. 2 Box 168-A Cedar Bluff, VA 24609	0.31	0.38759%
l.	Delmar and Judy Smith PO Box 173 Mavisdale, VA 24627	0.30	0.37510%

Exhibit D
 VGOB-94/10/24-0475
 Page 3

	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
m. Anthony A. Ratliff Box 24 Mavisdale, VA 24627	0.21	0.26257%
n. Hubert J. & Della V. Ratliff Rt. 2 Box 45 Oakwood, VA 24631	0.24	0.30008%
o. James Marshall and Vickie Lynn Ratliff Rt. 2 Box 45 Oakwood, VA 24631	0.22	0.27507%
p. Pauline Ratliff Brown Rt. 2 Box 45 Oakwood, VA 24631	0.50	0.62515%
q. Jerry Ward Box 473 Keen Mt., VA 24624	0.34	0.42511%
r. Gladys Ratliff Rt. 2 Box 44-A Oakwood, VA 24631	0.52	0.65017%
s. Brooks R. and Patricia R. Crumpton PO Box 184 Mavisdale, VA 24627	0.29	0.36259%
t. Blanche Rasnake Box 19 Oakwood, VA 24631	0.33	0.41261%
u. Paris M. Shelton Box 311 Cedar Bluff, VA 24609-0311	0.29	0.36259%
v. Johnny Keith Ratliff PO Box 208 Mavisdale, VA 24627	0.16	0.20006%

Exhibit D
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 Page 4

		<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
w.	Lee Vennie Beckett, Etals Box 158 Oakwood, VA 24631	0.53	0.66267%
x.	Mrs. Elzena McMurry Box 84 Oakwood, VA 24631	0.42	0.52514%
y.	Luther and Molly Meadows % Dorothy Ratliff Rt. 2 Box 44 Oakwood, VA 24631	Not in Unit 0.0	0.0%
z.	Phillip and Patricia R. Keen Box 448 Oakwood, VA 24631	0.01	0.0125%
aa.	Buchanan Investment Co. Box 369 Vansant, VA 24656	Not in Unit 0.0	0.0%
bb.	Terry and Sandora Ratliff Box 6 Oakwood, VA 24631	2.0	2.50062%
cc.	Don and Anna Pearl Ratliff Box 70 Oakwood, VA 24631	16.76	20.95523%
dd.	Carson and Betty Ratliff Brown Box 105 Rosedale, Va 24280 (Leased to Ratliff Gas Co.)	0.10	0.12503%
ee.	Norfolk and Southern Corp. Real Estate Dept. 185 Spring Street, S.W. Atlanta, GA. 30303	7.92	9.90247%

Exhibit D

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	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
ff. Yukon Pocahontas Coal Co. et al 133 Peachtree St. NE P. O. Box 105605 Atlanta, GA 30348	21.42	26.78169%
gg. C & C Line Company, Inc. P. O. Box 1100 Beaver, West Virginia 25813	0.26	0.32509
hh. John W. and Ruth Street Box 158 Rowe, VA 24646	0.38	0.47503
TOTAL	79.98	100%
IV. <u>Oil and Gas Leasehold Ownership</u>		
1. None		
V. <u>Alleged Coalbed Methane Leasehold Ownership</u>		
1. Claimant: Buchanan Production Company %Pocahontas Gas Partnership Box 200 Mavisdale, VA 24627	79.98	100%

I hereby certify that the attached copies are true and correct copies of the certified mail return receipt requested mailings from the Board Order of the U-19 unit, Docket No. 94-1024-0475

Wyatt Ratliff
 Wyatt Ratliff
 Ratliff Gas Company, Inc.
 Rt. 2 Box 49
 Oakwood, Va. 24631

COMMONWEALTH OF VIRGINIA
 COUNTY OF BUCHANAN

The foregoing instrument was acknowledged before me this 16th day of MAY, 1996, by Wyatt Ratliff, on behalf of Ratliff Gas Company, Inc.

James D. Rasnake
 Notary Public

My commission expires: 9/30/98

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 17th day of June, 1996.
 Deed Book No. 450 and Page No. 79 M.
 Returned this date to; J. M. M. E. TESTE: James M. Bevins, Jr., Clerk
 TESTE: [Signature] Deputy Clerk

1310

CLERK'S OFFICE CIRCUIT COURT
BUCHANAN COUNTY, VIRGINIA

Filed and admitted to record,

this 17th day of June 1996
at 1:04 o'clock P.M.

Recorded Deed Book Page

039 State Tax

213 County Tax

212 Transfer

301 Recording

036 State Tax

220 Local Tax

145 VSLE

Total 33.00

Teste James M. Bevins, Jr., Clerk

By D.C.

AMM & E